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DEPARTMENT OF COMMERCE

International Trade Administration

(A-580-870)

Certain Oil Country Tubular Goods from the Republic of Korea: Initiation and Expedited Preliminary Results of Changed Circumstances Review

AGENCY: Enforcement and Compliance, International Trade Administration, Department of Commerce.

EFFECTIVE DATE: (Insert date of publication in the Federal Register).

SUMMARY: In response to a request from Hyundai Steel Co. Ltd. (Hyundai Steel), a producer/exporter of certain oil country tubular goods (OCTG) from the Republic of Korea (Korea), and pursuant to section 751(b) of the Tariff Act of 1930, as amended (the Act), 19 CFR 351.216 and 351.221(c)(3)(ii), the Department is initiating a changed circumstances review (CCR) and issuing this notice of preliminary results. We have preliminarily determined that Hyundai Steel is the successor-in-interest to the former Hyundai HYSCO and, as such, if the Department upholds these preliminary results in the final results, Hyundai Steel will be entitled to the antidumping duty deposit rate currently assigned to Hyundai HYSCO with respect to the subject merchandise.

FOR FURTHER INFORMATION CONTACT: Victoria Cho, AD/CVD Operations, Office VI, Enforcement and Compliance, International Trade Administration, U.S. Department of Commerce, 14th Street and Constitution Avenue, NW, Washington, DC 20230; telephone: (202) 482-5075.

## SUPPLEMENTARY INFORMATION:

### Background

On September 10, 2014, the Department published an antidumping duty order on OCTG from Korea.<sup>1</sup>

On February 24, 2016,<sup>2</sup> Hyundai Steel informed the Department that effective July 1, 2015, it had merged with Hyundai HYSCO,<sup>3</sup> and requested that: 1) the Department conduct a CCR under 19 CFR 351.216(b) to determine that it is the successor-in-interest to Hyundai HYSCO for purposes of determining Hyundai Steel's antidumping duty cash deposits and liabilities; 2) the Department's successor-in-interest determination be effective as of July 1, 2015, the date on which the merger was completed; and 3) on an expedited basis under 19 CFR 351.221(c)(3)(ii).

On May 18, 2016,<sup>4</sup> the Department declined to initiate the CCR that Hyundai Steel requested in its February 24, 2016, CCR Request. The Department determined that it would

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<sup>1</sup> See Certain Oil Country Tubular Goods From India, the Republic of Korea, Taiwan, the Republic of Turkey, and the Socialist Republic of Vietnam: Antidumping Duty Orders; and Certain Oil Country Tubular Goods From the Socialist Republic of Vietnam: Amended Final Determination of Sales at Less Than Fair Value, 74 FR 53691 (September 10, 2014).

<sup>2</sup> See the February 24, 2016, letter from Hyundai Steel, "Oil Country Tubular Goods from the Republic of Korea: Request for a Changed Circumstances Review," (CCR Request).

<sup>3</sup> Hyundai HYSCO was a respondent in the investigation of OCTG from Korea covering the period July 1, 2012 – June 30, 2013. Hyundai HYSCO received a 15.75 percent dumping margin. See Certain Oil Country Tubular Goods From the Republic of Korea: Final Determination of Sales at Less Than Fair Value and Negative Final Determination of Critical Circumstances, 79 FR 41983 (July 18, 2014).

<sup>4</sup> See the Department's May 18, 2016, letter to Hyundai Steel.

not conduct a CCR of a final determination in an investigation less than 24 months after the publication of the final determination absent showing of good cause.<sup>5</sup> The Department further found that Hyundai Steel “did not reference or attempt to show good cause” in its February 24, 2016, request.<sup>6</sup> On May 31, 2016,<sup>7</sup> Hyundai Steel filed its second request for a CCR, in which it alleged that that good cause exists in this case and requested that the Department initiate a CCR.

We received no comments from any other interested party.

### Scope of the Review

The merchandise covered by this review is certain oil country tubular goods (OCTG), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock. For a complete description of the scope of the investigation, see Appendix I to this notice.

### Initiation and Preliminary Results

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<sup>5</sup> See the Department’s May 18, 2016, letter to Hyundai Steel (the Department’s Rejection Letter); 19 CFR 351.216(c); and section 751(b)(4) of the Act.

<sup>6</sup> See the CCR Request; and also see the Department’s Rejection Letter.

<sup>7</sup> See the May 31, 2016, letter from Hyundai Steel to the Department.

Pursuant to section 751(b)(1) of the Act, the Department will conduct a CCR upon receipt of a request from an interested party or receipt of information concerning an antidumping duty order which shows changed circumstances sufficient to warrant a review of the order.<sup>8</sup> In addition, because the final determination was published less than 24 months prior to the date on which Hyundai Steel submitted its request for a CCR (i.e., May 31, 2016), and pursuant to section 351.216(c) of the Department’s regulations, a CCR will not be initiated unless good cause exists. We find that good cause exists in the instant CCR request to initiate this CCR before the 24 month anniversary of the final determination, as demonstrated by Hyundai Steel.<sup>9</sup> Moreover, as noted above in the “Background” section, we have received information indicating that on July 1, 2015, Hyundai HYSCO merged with Hyundai Steel, with the latter assuming all operations for the production and sale of the subject merchandise.<sup>10</sup> This constitutes changed circumstances warranting a review of this order.<sup>11</sup>

Section 351.221(c)(3)(ii) of the Department’s regulations permits the Department to combine the notice of initiation of a CCR and the notice of preliminary results if the Department concludes that expedited action is warranted. In this instance, because we have on the record the information necessary to make a preliminary finding and no party has opposed expedited action, we find that expedited action is warranted, and have combined the notice of initiation and the notice of preliminary results.

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<sup>8</sup> See 19 CFR 351.216(c); section 735(a) of the Act.

<sup>9</sup> See the May 31, 2016, letter from Hyundai Steel to the Department.

<sup>10</sup> See the CCR request.

<sup>11</sup> See 19 CFR 351.216(d).

In making a successor-in-interest determination, the Department examines several factors, including but not limited to, changes in: (1) management; (2) production facilities; (3) supplier relationships; and (4) customer base.<sup>12</sup> While no single factor or combination of these factors will necessarily provide a dispositive indication of a successor-in-interest relationship, the Department will generally consider the new company to be the successor to the previous company if the new company's resulting operation is not materially dissimilar to that of its predecessor.<sup>13</sup> Thus, if the evidence demonstrates that, with respect to the production and sale of the subject merchandise, the new company operates as the same business entity as the former company, the Department will accord the new company the same antidumping treatment as its predecessor.

In its CCR Request, Hyundai Steel explained that effective July 1, 2015, Hyundai HYSCO merged with Hyundai Steel,<sup>14</sup> with Hyundai Steel effectively absorbing Hyundai HYSCO. On April 28, 2015, the board of directors of Hyundai Steel and Hyundai HYSCO, both members of the Hyundai Motor Group, decided to merge the two companies. The absorption-type merger was conducted, through which Hyundai Steel became the surviving

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<sup>12</sup> See, e.g., Preliminary Results of Antidumping Duty Changed Circumstances Review: Carbon and Certain Alloy Steel Wire Rod from Canada, 71 FR 75229 (December 14, 2009) and unchanged in Notice of Final Results of Antidumping Duty Changed Circumstances Review: Carbon and Certain Alloy Steel Wire Rod from Canada, 72 FR 15102 (March 30, 2007) (Carbon and Certain Alloy Steel from Canada); Certain Lined Paper Products From India: Preliminary Results of Changed Circumstances Review, 79 FR 21897 (April 18, 2014) and unchanged in Certain Lined Paper Products From India: Final Results of Changed Circumstances Review, 79 FR 35726 (June 24, 2014).

<sup>13</sup> See, e.g., Notice of Initiation and Preliminary Results of Antidumping Duty Changed Circumstances Review: Carbon and Certain Alloy Steel Wire Rod From Mexico, 75 FR 67685 (November 3, 2010) and unchanged in Final Results of Antidumping Duty Changed Circumstances Review: Carbon and Certain Alloy Steel Wire Rod From Mexico, 76 FR 45509 (July 29, 2011); Carbon and Certain Alloy Steel from Canada.

<sup>14</sup> See the CCR Request.

company.<sup>15</sup> Hyundai Steel claimed that since the merger took effect, it is operating essentially the same business as the former Hyundai HYSCO, and there has been no significant change in management, production facilities, supplier relationships, or customer base with respect to the production and sale of the subject merchandise.<sup>16</sup> Hyundai Steel submitted detailed documentation relating to the merger of the two companies (e.g., major shareholders' lists, board of directors' lists, executives' lists, meeting minutes regarding the merger, business registration certificates, and a copy of the merger corporate registration and announcement of the merger).<sup>17</sup>

With respect to management, Hyundai Steel asserts that the management structure of the former Hyundai HYSCO has also remained largely unchanged. Hyundai Steel retained most of its board of directors. Mr. Heon-seok Lee, who was a board member and executive of Hyundai HYSCO, remained as an executive of Hyundai Steel.<sup>18</sup> In addition, Hyundai Steel states that of the 17 executives of Hyundai HYSCO, 12 have remained at Hyundai Steel after the merger, excluding only four non-executive directors. Nine out of the 12 executives that remained at Hyundai Steel have been assigned to departments and divisions within Hyundai Steel.<sup>19</sup>

Hyundai Steel further explained that its current organizational structure is substantially similar to that of Hyundai HYSCO. The only change to the organizational structure is that HYSCO's Business Management Division and Overseas Business Division in its Sales

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<sup>15</sup> Id., at 3.

<sup>16</sup> Id., at 4.

<sup>17</sup> Id., at 3 and Exhibits 1 through 8.

<sup>18</sup> Id., at 8 and exhibit 2.

Division were divided and integrated into Hyundai Steel's Business Planning Department, Administrative Service Department, Accounting/Monetary Department, Sales Department and R&D Center, according to the function of each team. The other three divisions (i.e., the Sales Division (excluding the Overseas Business sub-division), Pipe Plant, and Automotive Parts Plant) were simply transferred over to Hyundai Steel.<sup>20</sup> Moreover, Hyundai Steel claims that the merger did not affect the overall organizational structure in the production and sale of OCTG.<sup>21</sup>

Based on this information, and in particular, based on the fact that Hyundai Steel's management team continues to include the majority of the former HYSCO managers, we preliminarily find that the reorganization resulting from the merger of the two companies did not result in management that was materially dissimilar with respect to the subject merchandise.

With respect to production facilities, Hyundai Steel asserts that all of the production facilities for Hyundai HYSCO and Hyundai Steel have remained the same, after Hyundai Steel absorbed Hyundai HYSCO due to the merger.<sup>22</sup> Hyundai Steel provided copies of HYSCO's company brochure and a screenshot of Hyundai Steel's official web site, which identifies the addresses and telephone numbers of the offices, production facilities, and branch offices of Hyundai HYSCO and Hyundai Steel.<sup>23</sup> Hyundai Steel contends that none of these locations have changed as a result of the merger, including the location of the production facility for

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<sup>19</sup> Id., at 8-9 and exhibit 3.

<sup>20</sup> Id., at 7.

<sup>21</sup> Id., at 7 and exhibit 9.

<sup>22</sup> See, e.g., Carbon and Certain Alloy Steel from Canada.

OCTG and the Steel Pipe Plant located in Ulsan, South Korea. Based on this information, we preliminarily find that the merger did not result in material changes to the production of the subject merchandise.

With respect to suppliers and customers, all of the supplier relationships related to OCTG for Hyundai HYSCO and Hyundai Steel have remained the same. Specifically, Hyundai Steel states that it was Hyundai HYSCO's sole supplier of hot-rolled coil for OCTG production in June 2015.<sup>24</sup> After the merger, although the level of integration may have changed, the coil used in the production of OCTG continues to be supplied by Hyundai Steel.<sup>25</sup> Hyundai Steel contends that it has also maintained Hyundai HYSCO's OCTG customer base.<sup>26</sup> Hyundai Steel asserts that Hyundai HYSCO USA (HHU) was Hyundai HYSCO's sole U.S. customer in June 2015, while Hyundai Steel America (HSA) was Hyundai Steel's sole U.S. customer in July 2015.<sup>27</sup> Hyundai Steel asserts that its U.S. subsidiary, HSA, is the same company as Hyundai HYSCO's U.S. subsidiary, HHU, which was renamed pursuant to the merger.<sup>28</sup>

Based on the evidence reviewed, we preliminarily find that Hyundai Steel is the successor-in-interest to the merger of Hyundai Steel and Hyundai HYSCO. Specifically, we preliminarily find that the merger of these two companies resulted in no significant changes to

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<sup>23</sup> See the CCR Request at 9 and exhibit 10.

<sup>24</sup> Id., at 9 and exhibit 11.

<sup>25</sup> Id., Hyundai Steel states that due to the time required to integrate the systems of the two companies, the internal systems relating to pipe products continued to operate separately after the merger while Hyundai Steel worked to merge the two systems into a single system. Therefore, during July 2015, Hyundai Steel is recognized in the system as the hot-rolled supplier.

<sup>26</sup> See the CCR Request at 9 and exhibit 12.

<sup>27</sup> Id., at 9 and 10 and exhibit 12.



management, production facilities, supplier relationships, and customers with respect to the production and sale of the subject merchandise. Thus, Hyundai Steel operates as the same business entity as Hyundai HYSCO with respect to the subject merchandise. If the Department upholds these preliminary results in the final results, Hyundai Steel will be entitled to the antidumping duty deposit rate currently assigned to Hyundai HYSCO with respect to the subject merchandise (i.e., 15.75 percent). If these preliminary results are adopted in the final results of this CCR, we will instruct U.S. Customs and Border Protection to suspend liquidation of entries of OCTG made by Hyundai Steel, effective on the publication date of the final results.

#### Public Comment

Interested parties may submit case briefs and/or written comments not later than 14 days after the date of publication of this notice. Rebuttal briefs and rebuttals to written comments, which must be limited to issues raised in such briefs or comments, may be filed not later than 21 days after the date of publication of this notice. Parties who submit case or rebuttal briefs are encouraged to submit with each argument: (1) a statement of the issue; (2) a brief summary of the argument; and (3) a table of authorities. All comments are to be filed electronically using Enforcement and Compliance's Antidumping and Countervailing Duty Centralized Electronic Service System (ACCESS) available to registered users at <http://iaaccess.trade.gov> and in the Central Records Unit, Room B8024 of the main Department

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<sup>28</sup> Id.

of Commerce building, and must also be served on interested parties.<sup>29</sup> An electronically filed document must be received successfully in its entirety by ACCESS by 5:00 p.m. Eastern Time on the day it is due.<sup>30</sup>

Consistent with 19 CFR 351.216(e), we will issue the final results of this CCR no later than 270 days after the date on which this review was initiated, or within 45 days if all parties agree to our preliminary finding. We are issuing and publishing this finding and notice in accordance with sections 751(b)(1) and 777(i)(1) of the Act and 19 CFR 351.216.

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Paul Piquado  
Assistant Secretary  
for Enforcement and Compliance

Dated: July 8, 2016.

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<sup>29</sup> See 19 CFR 351.303(f).

<sup>30</sup> See 19 CFR 351.303(b).

## **Appendix I**

### **Scope of the Review**

The merchandise covered by the investigation is certain oil country tubular goods (OCTG), which are hollow steel products of circular cross-section, including oil well casing and tubing, of iron (other than cast iron) or steel (both carbon and alloy), whether seamless or welded, regardless of end finish (e.g., whether or not plain end, threaded, or threaded and coupled) whether or not conforming to American Petroleum Institute (API) or non-API specifications, whether finished (including limited service OCTG products) or unfinished (including green tubes and limited service OCTG products), whether or not thread protectors are attached. The scope of the investigation also covers OCTG coupling stock.

Excluded from the scope of the investigation are: casing or tubing containing 10.5 percent or more by weight of chromium; drill pipe; unattached couplings; and unattached thread protectors.

The merchandise subject to the investigation is currently classified in the Harmonized Tariff Schedule of the United States (HTSUS) under item numbers: 7304.29.10.10, 7304.29.10.20, 7304.29.10.30, 7304.29.10.40, 7304.29.10.50, 7304.29.10.60, 7304.29.10.80, 7304.29.20.10, 7304.29.20.20, 7304.29.20.30, 7304.29.20.40, 7304.29.20.50, 7304.29.20.60, 7304.29.20.80, 7304.29.31.10, 7304.29.31.20, 7304.29.31.30, 7304.29.31.40, 7304.29.31.50, 7304.29.31.60, 7304.29.31.80, 7304.29.41.10, 7304.29.41.20, 7304.29.41.30, 7304.29.41.40, 7304.29.41.50, 7304.29.41.60, 7304.29.41.80, 7304.29.50.15, 7304.29.50.30, 7304.29.50.45, 7304.29.50.60, 7304.29.50.75, 7304.29.61.15, 7304.29.61.30, 7304.29.61.45, 7304.29.61.60, 7304.29.61.75, 7305.20.20.00, 7305.20.40.00, 7305.20.60.00, 7305.20.80.00, 7306.29.10.30, 7306.29.10.90, 7306.29.20.00, 7306.29.31.00, 7306.29.41.00, 7306.29.60.10, 7306.29.60.50, 7306.29.81.10, and 7306.29.81.50.

The merchandise subject to the investigation may also enter under the following HTSUS item numbers: 7304.39.00.24, 7304.39.00.28, 7304.39.00.32, 7304.39.00.36, 7304.39.00.40, 7304.39.00.44, 7304.39.00.48, 7304.39.00.52, 7304.39.00.56, 7304.39.00.62, 7304.39.00.68, 7304.39.00.72, 7304.39.00.76, 7304.39.00.80, 7304.59.60.00, 7304.59.80.15, 7304.59.80.20, 7304.59.80.25, 7304.59.80.30, 7304.59.80.35, 7304.59.80.40, 7304.59.80.45, 7304.59.80.50, 7304.59.80.55, 7304.59.80.60, 7304.59.80.65, 7304.59.80.70, 7304.59.80.80, 7305.31.40.00, 7305.31.60.90, 7306.30.50.55, 7306.30.50.90, 7306.50.50.50, and 7306.50.50.70.

The HTSUS subheadings above are provided for convenience and customs purposes only. The written description of the scope of the investigation is dispositive.